

Message Text

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ACTION L-02

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TO SECSTATE WASHDC 1104

INFO AMEMBASSY BONN

AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EAIR ELAB PO

SUBJ: AVIATION: EMPLOYMENT DISPLACEMENT

REF: STATE 256126

1. THE FOLLOWING INFORMATION WAS SUPPLIED BY A PANAM OFFICIAL AND BY A TWA OFFICIAL WHO HAS FOR THE PAST SEVERAL MONTHS BEEN CONDUCTING LABOR NEGOTIATIONS ON BEHALF OF ALL THE FOREIGN AIRLINES OPERATING IN PORTUGAL.

2. WITH REFERENCE TO PARA 1B, PANAM'S EXISTING CONTRACT (WHICH IS THE SAME FOR ALL FOREIGN AIRLINES OPERATING IN PORTUGAL) PROVIDES THAT EMPLOYEES WHO HAVE WORKED FROM ONE TO FIVE YEARS ARE ENTITLED TO ONE MONTH'S SEVERANCE PAY FOR EACH YEAR WORKED, WITH THOSE EMPLOYED AT LEAST SIX MONTHS RECEIVING NO LESS THAN THREE MONTHS' SEVERANCE PAY. WORKERS EMPLOYED FROM SIX TO 10 YEARS ARE ENTITLED TO A MONTH-AND-A-HALF FOR EACH YEAR WORKED; AND WORKERS EMPLOYED 10 OR MORE YEARS RECEIVE TWO MONTHS PER YEAR EMPLOYED. PANAM HAS 110 EMPLOYEES SUBJECT TO THIS CONTRACT, BUT ONLY TWO-THIRDS OF THEM WOULD

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BE DISMISSED UNDER THE PROPOSED PANAM-TWA PLAN FOR EXCHANGE

OF AIR ROUTES. SEVERANCE PAY FOR THE TWO-THIRDS IS ESTIMATED TO COST \$1.5 MILLION. IT MUST BE PAID IN A LUMP SUM AT OR NEAR THE TIME OF ACTUAL SEVERANCE. (NOTE: CURRENT CONTRACT EXPIRES ON DECEMBER 31, 1974, AND NEW CONTRACT IS BEING NEGOTIATED. AIRLINES HAVE AGREED THAT ANY SEVERANCES DURING THE PERIOD OF NEGOTIATION WILL BE PAID UNDER THE TERMS EVENTUALLY INCLUDED IN THE NEW CONTRACT. PANAM OFFICIAL BELIEVES THAT SEVERANCE PAY UNDER THE NEW CONTRACT MAY BE 25 TO 50 PERCENT HIGHER THAN IN EXISTING CONTRACT. THIS MEANS THAT PANAM'S \$1.5 MILLION SEVERANCE PACKAGE ESTIMATED UNDER EXISTING CONTRACT COULD GO AS HIGH AS \$2.25 MILLION).

3. WITH REFERENCE TO PARA 1A, THERE IS, ACCORDING TO THE PANAM OFFICIAL, A GENERAL LAW PROVIDING FOR SEVERANCE PAY UNDER SITUATIONS SUCH AS THE DISCONTINUATION OF AN AIR CARRIER'S SERVICES. IN THE CASE OF THE AIRLINES, HOWEVER, THE LAW HAS LITTLE RELEVANCE INASMUCH AS THE CONTRACT BETWEEN THE WORKERS AND THE FOREIGN CARRIERS PROVIDES FOR SEVERANCE BENEFITS ROUGHLY DOUBLE THAT PROVIDED FOR IN THE GENERAL LAW. ONCE A CONTRACT IS SIGNED, THE CONTRACT HAS THE FORCE OF LAW AND IN CASES OF DISPUTE, THE COURTS ENFORCE THE CONTRACT. IN THE EXPERIENCE OF THE AIRLINES, THE COURTS WHEN THEY HAVE FOUND IN FAVOR OF A WORKER HAVE NEVER SETTLED FOR LESS THAN WHAT WAS PROVIDED FOR IN THE CONTRACT. THIRD COUNTRY NATIONALS WHO WORK IN POSITIONS COVERED BY THE CONTRACT RECEIVE THE SAME SEVERANCE BENEFITS AS PORTUGUESE NATIONALS.

4. WITH REFERENCE TO PARA 1C, THE PANAM OFFICIAL SAID THAT THERE WERE NO OTHER COSTS CONNECTED WITH DISCONTINUATION OF SERVICES.

5. NOTE: PANAM ESTIMATES OF SEVERANCE COSTS IN PARA 2 ARE BASED ON PANAM'S CONTINUING TO OPERATE SAN JUAN-MIAMI ROUTE, IN WHICH CASE ABOUT ONE-THIRD OF THE HIGHER PAID EMPLOYEES WOULD BE RETAINED. IF UNDER THE NEW ARRANGEMENTS PANAM SHOULD DROP THAT ROUTE AS WELL, VIRTUALLY ALL EMPLOYEES WOULD BE DISMISSED AND PARA 2 SEVERANCE COSTS WOULD APPROXIMATELY DOUBLE.

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